

## **JOINT STATEMENT FOR THE RECORD**

**Dr. Philip A. Dur, Chairman  
Mr. Fred P. Moosally, Vice Chairman  
Integrated Coast Guard Systems LLC**

### **TESTIMONY BEFORE THE HOUSE SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION HOUSE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE**

**WEDNESDAY, APRIL 28, 2004  
10:00 AM  
2167 RHOB Committee Room**

Good morning, Mr. Chairman and distinguished members of the Subcommittee.

Thank you for the opportunity to appear before you today to discuss the Integrated Deepwater System Program on behalf of Integrated Coast Guard Systems, a joint venture of Northrop Grumman Ship Systems and Lockheed Martin. As you know, we are the system integrator for the Deepwater Program.

At the outset, on behalf of ICGS and all of the men and women working in support of this program, we would like to thank you, Mr. Chairman, and members of this committee for your stewardship and unwavering support of the Coast Guard, of the Deepwater Program and for your continuing commitment to funding for this critical initiative.

The Integrated Deepwater Systems Program was conceived several years ago with the realization that an aging and obsolete fleet of ships, aircraft, and patrol boats increasingly limited the Coast Guard's ability to perform its mission. As retired Naval Officers, destroyermen by trade, we would be the first to stress that Deepwater is consistent with the time-honored tradition of giving our sea going service members the best tools available to get their jobs done. In short, the service that defines itself with the motto, "Semper Paratus," or "Always Ready," has suffered too long from platform and system readiness problems.

When the Coast Guard announced it had selected Integrated Coast Guard Systems, the partnership forged between Northrop Grumman Ship Systems and Lockheed Martin, to manage the IDS contract, we realized a real opportunity to modernize the entire Coast Guard and infuse it with state-of-the-art technology. Most importantly, we saw the urgency in this transformation and we were ready to apply our combined knowledge and skill sets as two world class defense companies to provide the Coast Guard with the instruments and systems to take the security of our coastline and nation to the next level.

ICGS is managing an integrated team in concert with the Coast Guard at every level. We are now working over 23 joint government and industry Integrated Product Teams, or IPT's, executing this contract to meet common goals. The contract requirement to maximize operating effectiveness and reduce total ownership cost drives us to open up the Deepwater system to competition throughout the lifetime of the program and to take advantage of dynamic markets so as to deliver best value and best performance.

The goal is to provide a rapid modernization of the Coast Guard Deepwater force structure, providing three new classes of cutters and their associated small boats, a new fixed-wing manned aircraft fleet, a combination of new and upgraded helicopters, and both cutter-based and land-based unmanned aerial vehicles, in what is the largest re-capitalization effort in the history of the Coast Guard. These assets will communicate and operate seamlessly with the integration of highly advanced command, control, communications and computers, intelligence, surveillance and reconnaissance systems. This maritime domain awareness, which is the complete capability to detect and identify all activities in the relevant maritime arena, will provide the Coast Guard the best advantage possible in the interception and engagement of threats to our sovereignty and security...away from our own shores. There will also be exceptional interoperability between the Coast Guard, the U.S. Navy and other government agencies due to the integration of systems that can more readily share information.

Beyond providing the critical first line of protection in the Department of Homeland Security's layered defense model, the Deepwater Program will bring increased capacity and capability in the performance of all of the Coast Guard's missions, including fisheries enforcement, search and rescue and ensuring the safety and security of mariners, counter drug interdiction and alien interdiction patrols.

We need to say a few words about this performance-based contract and how the Deepwater Program is taking shape. This approach is atypical and requires interaction between the Coast Guard and industry to work side-by-side. The program execution through the IPT's enables Deepwater's system performance requirements to be viewed and addressed as a whole. System integration ensures that all platforms and systems are compatible and interoperable, providing high levels of operational effectiveness and yielding best-value to U.S. taxpayers. Change is inherently difficult, and Deepwater entails organizational, acquisition, and technological change that will encourage public and private sectors to collectively execute a program of this significant scope, duration, and complexity.

We believe the program is working well and we assert that this partnership between system integrator and operator is the reason why. ICGS has the industrial expertise and flexibility to manage myriad complexities, to identify system attributes and solutions, to evaluate alternatives that contribute to mission effectiveness at the lowest total ownership cost, to engineer the system-wide operational and support relationships across all asset classes, across multiple mission areas—all with the full partnership with

the Coast Guard. Without a system integrator, this program would require multiple prime-level contracts that would be separately managed; there would be multiple industry management and engineering schemes, with multiple (and duplicative) costs. And there would not be a single responsible point of contact where these separate acquisitions intersect to warrant a system approach. Based on program analysis, the Deepwater system-based acquisition will save 15% of total ownership cost over a traditional non-integrated asset acquisition approach—a savings of \$12.8 billion over an estimated 40 years. The program is being engineered at a cost that is less than half of traditional system engineering and integration costs for a program of this size and type. Additionally, our performance on this contract is being closely monitored by our partner, the Coast Guard, and measured under the widely accepted earned value management system. There are 37 task orders underway, valued at over \$750 million and 11 integrated baseline reviews have been completed, for close control of cost, schedule and program risk.

In the 22 months, since this program was awarded, we have achieved well over 60 major program milestones system-wide, across five domains and affecting seven new asset classes and six legacy asset areas. We have delivered our first cutter—a 123-foot island class cutter, the *Matagorda*, the first of the *Island*-class patrol boats to undergo this modernization. This extensive overhaul includes a new stern ramp, a new pilothouse, enhanced C4ISR electronics and improved crew berthing spaces. We have eight of these boats under contract now. Delivered with the *Matagorda* was another vessel, the Short Range Prosecutor, which will follow the delivery timetable of the 123-foot cutters. Soon we will begin the construction phase on the first new National Security Cutter at the Northrop Grumman Ship Systems Pascagoula facility. In fact we just broke ground on a new build area for these 421-foot cutters at Pascagoula and we are very excited to start this new ship's construction underway this summer. We have also begun preliminary design studies on the Fast Response Cutter and the Offshore Patrol Cutter.

We have begun legacy fleet upgrades—completing two vital shore station Command and Control upgrades, CAMSLANT in Virginia and CAMSPAC, operating out of California, and we have begun interim Command and Control upgrades to the 378-foot and 270-foot cutter classes. We are giving them access to SIPRNET and Classified LAN networks, so the Coast Guard can have unprecedented access to the intelligence and defense communities. And last week, we celebrated the opening of the Maritime Domain Awareness Center—a state-of-the-art facility to develop, test and integrate assets and systems being produced to support the Deepwater program before these systems are delivered.

In the Aviation domain, we have achieved key milestones for the Maritime Patrol Aircraft—awarding a contract and reaching preliminary design review for the first two aircraft; there is an option for six more. For the Vertical Unmanned Air Vehicle we have achieved preliminary design review and are working toward critical design review later this fall. In response to an urgent requirement ICGS has accepted the task to rapidly re-

engine the HH-65 helicopter fleet, to assist the Coast Guard to return the fleet to full and unrestricted flight in as efficient and timely a manner as possible.

In Logistics, we have established site representatives in Maryland, West Virginia, North Carolina and Florida, to support delivery of new Deepwater systems and assets.

The Deepwater program is a “national” program, providing jobs and supply opportunities. The Coast Guard, ICGS and its subcontractors have effectively used competition to obtain the lowest overall cost, technically compliant, on-time, quality products and services. Competition was used to select ICGS and its first tier contractors, Northrop Grumman and Lockheed Martin, for the baseline contract award. Currently we have almost 30 suppliers from 16 States—and the list is growing, as the program moves from design to production. Both Lockheed Martin and Northrop Grumman have used competition to obtain best value at all levels of the program – from platforms to propulsion to electronics to support and services to machinery and equipment and to parts and raw materials. As new asset classes are designed and produced, additional suppliers are being added through competition all the time. We are continually reaching out to world-class global suppliers to bring best value to the Coast Guard and the nation.

Finally, we would like to reassure you that in order to maintain this level of activity and efficiency, we rely heavily on the benefits of open and robust competition throughout the program. Illustrations abound of how we are collectively reaping the benefit of vendor competition and continuous access to innovative ideas and cutting-edge technology, while evaluating total ownership cost.

Both Tier 1 contractors, Lockheed Martin and Northrop Grumman, have well documented and approved purchasing procedures which require competitive bids on all initial procurements. We require and have institutionalized processes to access the lowest overall cost with technical competency and ability to deliver on time with the required quality standards for all subcontracts. These systems have been formed with and monitored by longstanding relationships for our Navy customer through SUPSHIP and/or DCMA and DCAA, who have onsite facilities and ongoing surveillance for all government contracts. Furthermore, oversight is routine by these organizations through the Contractor Purchasing System Reviews (CPSR). We also participate in periodic audits or review by the Government Accounting Office—for all of our government programs, including Deepwater. We solicit competition on an ongoing basis through our web-based supplier registration and database, which are used to fuel annually-hosted purchasing “Industry Days.” The site has been live and active since contract award and referrals come from Deepwater advertisements running in trade and defense media as well as trade show activity. We have recently redesigned our website to make registration even more accessible. Our next industry day is scheduled for late August this year.

Discussion has been ongoing to accelerate funding of Deepwater, and we are very hopeful that you will continue to support bringing value to the taxpayers by maximizing production efficiencies and bringing more efficient platforms to the service

sooner. We will all benefit by getting these critical assets into the hands of the men and women sworn to protect our interests at home.

Mr. Chairman and distinguished members of the Subcommittee, we are confident that you see the benefit of our government and industry partnership and the tangible results we are already demonstrating, and we hope you share in our excitement to grow this program to its full potential. Our Coast Guard men and women, as well as every American, are the better for it. Our strong partnership with the Coast Guard is vital to our nation's security. Thank you for this opportunity to personally update you on the progress of this very important program.

This is the end of our joint statement. We welcome your questions.